

Message Text

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ACTION TRSE-00

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TO SECSTATE WASHDC 4731

INFO AMEMBASSY WARSAW

LIMITED OFFICIAL USE BUCHAREST 4806

E.O. 11652: NA

TAGS: EFIN RO

SUBJ: US-ROMANIA INCOME TAX CONVENTION

REF: A. STATE 205353; B. BUCH A-13 OF JANUARY 28, 1975;
C. STATE 216693

1. WE RAISED QUESTION OF CHANGE IN ARTICLE 27 OF
BILATERAL TAX CONVENTION WITH DEPY MINFIN EPURE
PRIOR TO RECEIPT OF REFTEL C. EPURE STATED THAT WITH
SIGNATURE OF PRESIDENT CEAUSESCU ON DECREE RATIFYING
CONVENTION (REF B) ROMANIA BEGAN APPLYING THE CONVENTION'S
PROVISIONS. ANY CHANGE THEREFORE POSED "PROBLEM OF
PRINCIPLE," WHICH NEITHER HE NOR MINISTER COULD RESOLVE
BUT WOULD RATHER REQUIRE DECISION OF HIGHER AUTHORITIES.
EPURE'S ONLY GLIMMER OF FLEXIBILITY WAS OBSCURE STATEMENT
THAT CONVENTION WAS PART OF OVERALL FABRIC OF BILATERAL
RELATIONS AND THAT, WERE MODIFICATION TO BE CONSIDERED,
IT WOULD HAVE TO BE IN THIS BROAD POLICY CONTEXT.

2. EMBOFF'S QUERIED EPURE WHAT PRACTICAL PROBLEMS WOULD BE
CREATED BY NOT APPLYING TREATY RETROACTIVELY. EPURE DID NOT,
HOWEVER, PROVIDE ANY CLARIFICATION AS TO WHAT PROBLEMS THIS
WOULD POSE FOR GOR, IF ANY.

3. WITH GOR ADOPTING STANCE ON PRINCIPLE, WE ARE DUBIOUS ABOUT
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UTILITY OF MAKING ANOTHER REPRESENTATION WITHOUT OUR BEING ABLE

TO MAKE CONVINCING CASE THAT PROSPECTIVE APPLICATION OF CONVENTION
AS IT RELATES TO WITHHOLDING TAXES POSES NO PRACTICAL NOR
FINANCIAL DISADVANTAGE FOR GOR. TO DO THAT WE WOULD HAVE TO
HAVE GREAT DEAL MORE INFORMATION CONCERNING IMPORT OF WHAT WE
ARE PROPOSING THAN WE HAVE BEEN ABLE TO GLEAN FOR OUR OWN
LIMITED KNOWLEDGE OF TAX PRACTICE, OUR READING OF BILATERAL
CONVENTION, AND REFTELS. SHOULD DEPARTMENT THEREFORE BELIEVE
PERSUASIVE CASE CAN BE MADE THAT MERITS FURTHER REPRESENTATION
HERE, WE WOULD REQUEST DETAILED CLARIFICATION OF RAMIFICATIONS
OF PROSPECTIVE APPLICATION OF WITHHOLDING TAXES. CLARIFICATION
WOULD INCLUDE EXPLANATION AS TO WHY SENATE CONCERN FOCUSSED
ON WITHHOLDING TAXES, WHAT IS SCOPE OF WITHHOLDING TAXES
WE ARE CONCERNED ABOUT (CITATION TO APPROPRIATE ARTICLES
IN CONVENTION), WHAT IS EFFECT OF NOT WITHHOLDING THESE TAXES,
WHAT IS ESTIMATED MAGNITUDE OF TAXES THAT HAVE NOT BEEN
WITHHELD AS RESULT OF SENATE DELAY IN RATIFICATION, AND WHAT
IS IMPACT ON ROMANIA OF OUR INABILITY TO WITHHOLD TAXES.
BARNES

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